

**COMMUNITY FIRST, INC.**  
**EXCESSIVE OR LUXURY EXPENDITURE POLICY**

**PURPOSE**

The Board of Directors (the “Board”) of Community First, Inc. (the “Holding Company”) and its subsidiary, Community First Bank & Trust (the “Bank”), (collectively, the “Company”), has adopted this Excessive or Luxury Expenditure Policy (the “Policy”) to be in compliance with the requirements under the American Recovery and Reinvestment Act of 2009 (“ARRA”) enacted February 17, 2009, which amended the Emergency Economic Stabilization Act of 2008 (“ESSA”) prohibiting excessive or luxury expenditures by the Company. ARRA requires each recipient of funds under the Capital Purchase Program (CPP) of the Troubled Assets Relief Program (TARP) to have in place a company-wide policy regarding excessive or luxury expenditures, as identified by the Secretary of the Department of the U.S. Treasury. The Department of the Treasury issued an Interim Final Rule 31 CFR Part 30 on June 15, 2009 providing guidance on the scope and areas subject to the Luxury Expenditures Policy required by ARRA. This Policy is intended to strengthen and supplement the existing Travel and Business Development Expense Policy and Procedures, to ensure that the Holding Company and the Bank, as a participant in the CPP, complies with the United States Department of the Treasury requirement to adopt an Excessive or Luxury Expenditure Policy.

**POLICY**

The Company prohibits excessive or luxury expenditures on entertainment and events, office or facility renovations, aviation or other transportation services or other activities or events that are not reasonable expenditures for conferences, staff development, reasonable performance incentives or other similar measures conducted in the normal course of business operations. All expenditures by the Company must have a legitimate business purpose, follow a defined approval process, and be reasonable in nature and amount as determined by the Board of Directors of Community First Bank and Trust.

The Board of Directors is required by the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30) to adopt a policy regarding excessive and luxury expenditures. The Board has oversight responsibility for the Bank’s compliance with the requirements of TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury. In support of its oversight responsibilities, the Board shall have the following roles:

1. The Executive Committee (the “Committee”) of the Board must review and recommend to the full Board of Directors approval of this policy on an annual basis, or, in the event of subsequent amendments to the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury, in such time frame required by the amendment.

2. The Committee shall review any exceptions to this policy at the next regularly scheduled meeting subsequent to the granting of the exception.

Executive management is responsible for the effective implementation of this policy. To that end, executive management shall have the following roles:

1. Monitor expenditures addressed by this policy to ensure compliance with this policy.
2. Document and justify exceptions to this policy and report exceptions to the Executive Committee of the Board.
3. Promptly recommend modifications of this policy to the committee to ensure it remains compliant with the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury as it may be amended.

Ensure that this policy is on the Bank's website – [www.cfbk.com](http://www.cfbk.com).

#### **PROHIBITED AND ALLOWABLE EXPENDITURES**

##### Prohibited Expenditures

The following expenditures are deemed excessive and are prohibited:

1. Expenditures for office furnishings, remodeling or redecoration, the aggregate cost of which exceeds \$5,000.00 for any executive officer considered an SEO according to the CPP, TARP, ARRA or EESA. This prohibition does not extend to a general corporate relocation or remodeling impacting a majority of the corporate offices or a newly constructed branch, branch renovation or branch relocation.
2. Expenditure for use of a private airplane, except in emergency situations with the approval of the CEO who must then provide notice to the Chairman of the Board as soon as practicable after the occurrence.

#### **ALLOWABLE EXPENDITURES**

##### **Renovations:**

Renovations of facilities and office spaces should be relative to the Board approved project and current profit plan of the Company and the Bank. An exception to this is allowed if management must deal with an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational for customer use, or to remediate emergency or hazardous conditions, to comply with building codes and ordinances, to satisfy legal, contractual or regulatory requirements, or are expenditures under the Board approved capital budget. At no time should renovations be done that would have the appearance of being extraordinary or excessive from a shareholder perspective.

**Entertainment:**

Entertainment is defined as an activity that an employee or executive would use corporate funds for business development purposes relating to a current customer (s) or prospective customer (s) or to further enhance the Company's marketing efforts.

Our expectation is that all expenses paid by the Company would be for legitimate business purposes, be reasonable in nature and amount and be used to drive and/or increase business to the Company. Occasional events such as taking customer(s) or prospect customer(s) on approved outings such as playing golf, dining, sporting events and other activities the customer(s)/prospect customer(s) would find pleasurable, is a necessary part of the Company's marketing efforts and are not deemed as "luxury" or a violation of this policy. These expenses should be reasonable in nature with the amount documented, submission of receipts, identification of the person(s) entertained, and the business purpose of the expense approved in accordance with the Company's normal Travel and Business Development Expense approval policy, and detailed as to the benefit derived by the Bank and Company through the normal accounts payable process. Prior approval of expenditures for this purpose, as long as consistent with the Bank's prior practices, is not required, except as noted below. These expenses should continue to be documented and detailed as to the benefit derived by the Company through the normal accounts payable process. Entertainment and event expenditures anticipated to be in excess of \$2,000.00 must be reviewed with and approved by a member of the executive management for employees that are not an executive officer, and must be approved by the Chairman of the Board for the Bank's CEO and executive management.

**Meetings and Events:**

Meetings and events are defined to include meetings, conferences, and employee recognition events that are intended to provide the Board, management and employees with opportunities for individual and team education, development and recognition, business planning, market and industry networking, and related business purpose objectives. Meetings may include both those that are internally organized as well as those organized by other banks, trade associations, vendors and similar organizations. Occasionally, Company organized meetings are held in facilities or locations not owned or leased by the Company, such as restaurants and hotels, in order to accommodate the size of the group, facilitate better delivery of the meeting, or provide participants with a venue that is most conducive for the meeting's purpose. Directors, management and employees may also participate in meetings hosted by other business partners that have a clear business purpose. Conferences typically offer educational, skill development and industry networking opportunities that enhance participant performance. These conferences should be related to the financial services industry and have a direct correlation to the attendee's job. At times it may be appropriate that a spouse would travel to these conferences with attendees. If a spouse travels to these conferences with the Company employee, those costs may be expensed to the Bank with proper approval by Senior Management for employees, for an SEO by the CEO, and in the case of the CEO by the Chairman of the Board. Typically these conferences are sponsored by vendors, banking associations or other industry related entities. Conference participation

is subject to approval by a member of executive management for employees not at the executive level and by the CEO for senior management and the Chairman of the Board for the Company's CEO. Employee recognition meetings, dinners and events are held occasionally to recognize the contribution of an individual, team/branches or all employees. The cost of such meetings must be approved in advance by a member of the Board of Directors.

This Policy will EXCLUDE reward conferences (whether paid for by the Company or other vendors) and be a violation of this policy if the purpose is meant to be a reward and would have no value of education to the employee or executive.

**Holiday Parties:**

We feel holiday parties are a part of an employee appreciation process. Holiday parties should be local in geographic nature, and should not cost the Company more than an average day's payroll per employee, on average. (If the payroll is 9.5M annually divided by 260 days, equals \$36K in expense available for an appropriate holiday party). All holiday parties must be approved by the Board of Directors.

**Board and Management Retreats:**

Board Retreats should only be used for education purposes, and should be kept in consideration and looked at in the same view and discretion as all other expenses. Board education is a vital part of maintaining, and keeping a dynamic director base, and this policy should not limit the retreat that is focused on strategic planning or education.

**Aviation Services:**

The Company does not own corporate aircraft or fractional interest in corporate aircraft. Transportation of Company staff to outlying locations, including banking locations, conferences, and for business development purposes, and should be conducted in the most cost appropriate way for the Company. Permitted modes of transportation to be used may consist of automobiles, bus or rail service and commercial air service. The selection of transportation services will factor in cost, efficiency and timeliness of travel. The Company does not provide chauffeured automobiles for everyday use.

Private air services are not allowed without the approval of the CEO or CFO and the Chairman of the Board. From time to time, officer workload, scheduling or other circumstances may necessitate a chartered flight in lieu of a commercial flight. The surrounding circumstances requiring a chartered flight, including the estimated cost thereof, should be well-documented and approved in advance by the CEO or CFO and the Chairman of the Board.

When traveling on Company business, air travel reservations should be made so as to secure the best available fare consistent with the reasonable time at travel and convenience requirements of the trip. Air travel must be coach class the duration of the trip and the working requirements of the employee or employees on the trip, or available flight schedules necessitate first class or business class travel. All

expenditures for first class or business class travel must be authorized by the CEO or Chairman of the Board to travel otherwise.

When needed for Bank business, Bank personnel may, but are not required to, rent a vehicle if it is less expensive than other available modes of transportation such as taxis, and airport/hotel shuttles or when travel requirements necessitate having the flexibility of a rental car. Whenever multiple employees are traveling together, every effort to ride share or carpool should be made.

Employees, executive management and directors are encouraged to avoid overnight stays when one-way travel time for a one day meeting is two hours or less. Exceptions are conferences, group meetings, etc... that have been previously approved by the employee's supervisor CEO, CFO for executive management the CEO must give approval and for the CEO approval must be made by the Chairman of the Board. When possible, all lodging should be booked through the appropriate personnel with knowledge of any corporate rates or discounts the Company has negotiated with selected hotels. Personal expenses not related to Company business will not be reimbursed by the Company.

The Company will reimburse employees, executive management, and directors for reasonable meal expenses that are incurred during business related travel.

**Other Items, activities or events:**

Other similar items, activities or events for which the Company may incur expenses, or reimburse an employee for incurring expenses, which are not specifically addressed elsewhere in this policy shall be for legitimate business purposes and reasonable in nature and amount. Reasonable expenditures for staff development, performance incentives in accordance with written plans and policies or other similar expenditures incurred in the normal course of business must be approved by the CEO, CFO, or Chairman of the Board.

**REPORTING PROCEDURES AND CERTIFICATIONS**

Members of the Bank's Board of Directors will review a report that consists of all credit card statements, expense statements and any other expense incurred by the Company through an employee. Once reviewed the Chairman of the Board will sign and date the report. If upon review, an expense is found to not meet the guidelines of this Policy, the employee will be asked to reimburse the Company for the expense. If the employee does not reimburse the Company the employee may face disciplinary action. Expenses paid which are not in conformance with this Policy shall give full justification why they were paid and will be noted in the Board minutes.

The Internal Audit Department shall establish internal controls to ensure compliance with this Policy. The process for approving and reporting expenditures covered by this policy, as well as the actual amount of expenditures incurred, will be subject to audit by the Bank's internal audit staff to confirm policy compliance.

No less than annually, the CEO shall provide a report to the Compensation Committee on the status of this Policy.

The CEO and CFO shall certify within 90 days of the completion of each fiscal year of the Bank that the approval of any expenditures under this policy requiring the prior approval of any senior executive officer, any executive officer of a substantially similar level of responsibility, or the Bank's Board of Directors (or a committee of the Board of Directors) was properly obtained with respect to each such expenditure. This certification shall be provided to the Department of the Treasury and to the Company's primary Federal Regulator.

Any questions or concerns on how this policy should be interpreted or applied may be directed to the CEO or the CFO.

**VIOLATIONS**

Any individual who violates this Policy, or knows of any such violation by any other individual, must report the violation immediately to such individual's supervisor, in writing, who shall then report the violation to the CEO or the Chairman of the board (if an alleged CEO violation). The CEO or Chairman will discuss the suspected or actual violation at the next regularly scheduled meeting of the Audit Committee. The Audit Committee will investigate the suspected or actual violation of this Policy in accordance with its procedures established for investigating complaints regarding improprieties in the Company's accounting, internal accounting controls or auditing matters. The Audit Committee will report to the Board at its next regularly scheduled meeting with respect to any reported violations and any recommended corrective actions. Reports of violations received under this Policy, together with any and all documents pertaining to the investigation and resolution of the violation, as well as all records to substantiate each certification, shall be retained by the Bank according to previously established standards for record retention, but for not less than six years after the date of certification.

Violation of this Policy shall subject an employee to discipline up to and including termination.


**AMENDMENTS AND MODIFICATIONS**

This Policy shall be subject to modification only with the approval of the Board of Directors stating the specific business rationale for the change in policy.

**EFFECTIVE DATES**

This Policy shall be effective immediately upon adoption by the Board of Directors, and shall remain in effect through the last day on which the Company has an outstanding obligation under the CPP to Treasury (but not including warrants to purchase the common stock of the Company).

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Approved by the Board 12.7.2011